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SUBJECT: EAST JAVA: NEW BREED, OLD PROBLEMS, LOCAL OFFICIALS CHART
THEIR COURSE

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1. (SBU) Summary: Since elections started changing the face of Indonesian politics nearly a decade ago, cities and regencies in East Java are increasingly electing officials with private sector experience and clear plans for local development. Congen Surabaya visited Trenggalek Regency and Kediri city in southern East Java to meet with two such leaders and discuss their plans. The new Mayor of Kediri noted that improved health care would yield budgetary advantages. Kediri's Mayor and the Regent of Trenggalek cited infrastructure development and regional integration as key to their success. However, the lack of a coordinated provincial strategy, particularly in building new infrastructure, continues to retard potential growth. End summary

2. (SBU) Dr. Samsul Ashar, a practicing physician, was sworn in as Kediri's Mayor on April 3. Supported by the National Mandate Party (PAN), Prosperous Peace Party (PDS), and United Development Party (PPP), Ashar and his 28 year old Vice Mayor Abdullah Abubaker, (the youngest vice Mayor in Indonesia) received 40% of the vote, dispensing with the need for a run-off against a crowded field of seven pairs of candidates. According to Dr. Ashar, voters liked his focus on health and education and his support for small and medium enterprises. According to the Jawa Pos Pro Otonomi Survey, the city of Kediri ranked 19 out of 38 East Java regencies and municipalities in the delivery of health services. The Kediri Regency, which has ranked last or next to last since 2005, surrounds the city. If the Jawa Pos survey is any guide, dissatisfaction with healthcare might account for Dr. Ashar's convincing win.

A Doctor in Every Village

3. (SBU) Kediri is a company town and enjoys a healthy tax base. Some 37,000 of Kediri's 250,000 residents work in the Gudang Garam clove cigarette factory, which dominates the local economy. While most of Gudang Garam's plants are in Kediri Regency, the lion's share of the company's taxes goes to the city, where its corporate head offices are located. If health education was doing its job, Dr. Ashar estimates a savings of up to 36 billion rupiah (USD 3.1 million) would be recovered for the city. Similarly, stopping the spread of easily preventable infectious diseases would save a lot of resources.

4. (SBU) Dr. Ashar said that, while many in Kediri have adequate insurance and access to services, improved health education and disease prevention could radically cut costs. While Indonesia's public health center system (puskesmas) is still the main rural

health provider, it is a one-size-fits-all approach to Indonesia's diverse rural health challenges. Dr. Ashar has proposed a Doctor in Every Village program as a way of accounting for local conditions.

Business Sense Brings Development Partners

15. (SBU) While Kediri's new mayor approaches reform through the lens of healthcare reform, the Regent of Trenggalek is using his business management and communication skills to link his regency to the outside world. Fresh from giving a presentation on his Regency's success in providing clean water and sanitation at World Bank Headquarters, Trenggalek Regent Soeharto said his business acumen helped him compete for assistance from donors such as the World Bank and USAID, who have both cooperated on sanitation programs there. Soeharto mobilized local Muslim clerics to help promote his programs. Despite the isolation from markets exacerbated by poor infrastructure, Trenggalek has consistently received awards for economic empowerment from the Jawa Pos Pro Otonomi Institut.

Where Good Ideas Meet Lousy Infrastructure

16. (SBU) Famous for marble quarries and cattle farms, Trenggalek boasts significant agricultural and mineral wealth. The regency's 96 km of coastline is also the home of a fishing fleet that produces 66,900 tons of fish annually. Yet regency estimates put the haul at barely 10% of sustainable potential. Tuna is a profitable export to East Asia but poor roads to nearby airports mean the fish must travel by ship to Bali.

17. (SBU) The mining sector is also waiting for infrastructure to take off. Chinese and Australian companies have expressed interest in mining manganese, gold and other metals, but profitability is questionable due to poor transportation links. The roadbed of a planned southern highway across East Java is

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already staked out and much of the land has been acquired in Trenggalek. However Soeharto told us that delays in freeing the patchwork of land required in adjoining regencies are holding back construction. Once this East-West highway is complete, Soeharto is confident that Trenggalek and its neighbors will see a real spike in economic growth.

MCCLELLAND